

# PERAC AUDIT REPORT



## Berkshire Regional Contributory Retirement System



JAN. 1, 2002 - DEC. 31, 2004 / PERAC 04: 12-002-36



## **TABLE OF CONTENTS**

Letter from the Executive Director .....	1
Explanation of Findings and Recommendations .....	2
Statement Of Ledger Assets And Liabilities .....	4
Statement Of Changes In Fund Balances .....	5
Statement Of Income .....	6
Statement Of Disbursements.....	7
Investment Income.....	8
Statement Of Allocation Of Investments Owned .....	9
Supplementary Investment Regulations .....	10
<u>Notes to Financial Statements:</u>	
Note 1 - The System.....	11
Note 2 - Significant Accounting Policies.....	12
Note 3 - Supplementary Membership Regulations.....	13
Note 4 - Administration Of The System .....	16
Note 5 - Actuarial Valuation And Assumptions .....	17
Note 6 - Membership Exhibit.....	18

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

DOMENIC J. F. RUSSO, *Chairman* | A. JOSEPH DeNUCCI, *Vice Chairman*

JOSEPH E. CONNARTON, *Executive Director*

HENRY G. BRAUER | KENNETH J. DONNELLY | JAMES M. MACHADO | DONALD R. MARQUIS | THOMAS TRIMARCO

February 27, 2006

The Public Employee Retirement Administration Commission has completed an examination of the **Berkshire Regional** Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, **2002** to December 31, **2004**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Harry Chadwick and Robert Madison who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton  
Executive Director



## **Berkshire Regional Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

#### **1. Membership Contributions**

A. The Berkshire Regional Retirement System has made significant progress to ensure that governmental units uniformly report monthly membership contributions. The previous PERAC audit ending December 31, 2001 determined that two-thirds of all governmental units lacked a uniform method of correctly reporting membership contributions. Currently, all but fifteen (15) of the forty-five (45) governmental units are reporting earnings correctly. These fifteen (15) governmental units do not separate overtime earnings from gross earnings. In addition, eight (8) Treasurers out of the forty-five (45) governmental units that submit payroll data to the Berkshire Retirement Board do not certify, in writing, that the employee payroll data remitted to the retirement system is in accordance with the provisions of G.L. c. 32.

B. Member deduction rates were sampled to determine that an additional 2% deduction was withheld from those members who earn over \$30,000 and were hired after January 1, 1979. The sample yielded several members who worked in more than one unit who were not having the 2% over \$30,000 deduction taken by each city or town. In each sample, 2% over \$30,000 deductions were taken in the city or town where the member earned the higher salary. Deductions were not taken in the other cities or towns where the member worked.

#### **Recommendations:**

A. Reporting of member contributions should be made on a prescribed form for all member units. The prescribed form should be consistent with G.L. c. 32 § 22(1)(h) and include the following member information: 1) name; 2) social security number or employee number; 3) compensation by type: total, regular, overtime, and 2% excess; 4) contribution amount; 5) contribution rate; and 6) any other member information deemed appropriate. In addition, the Berkshire Retirement Board must continue reviewing membership data to ensure Treasurers' certify, in writing, that employee payroll data is accurate and correct.

B. The Board must direct the payroll departments in each city or town that is not making the proper 2% deduction for member who earn in aggregate over \$30,000 to make the proper deduction in accordance with G.L. c. 32. § 22(1)(b) and (1) (b1/2) and PERAC memo # 43/1999 defining the methodology used to calculate the 2% additional deduction.

#### **Board Response:**

A. Over 30 of the 45 units currently submit the prescribed monthly deduction report. Those units that do not use the prescribed monthly deduction report submit the proper information necessary for verification of wages. The units that do not use the prescribed monthly deduction report have indicated that it is a computer update or new report that must be created and cost prevents the update. All of the units have indicated that as computer systems are updated the prescribed monthly deduction report will be added so that they will be in compliance.

## **Berkshire Regional Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

- B. Verification of 2% deductions for members employed in multiple units is completed on a monthly basis. In some instances the total 2% deduction for the aggregate salary over \$30,000 is deducted in the unit that the member earns the highest salary. The 2% deduction is taken on the aggregate salary in 1 unit because the salary was too small in other units (less than \$596.72 weekly) and did not calculate. This was the only solution available to the retirement system to ensure that the proper 2% deduction was taken on the aggregate salary.

#### **2. Refunds**

In reviewing the refunds paid, the auditors noted instances on the 'Application for Withdrawal of Accumulated Total Deductions' form, that the member and the department head disagreed as to whether the member has resigned or been terminated, thereby affecting the amount of interest to be paid. Terminated members receive one hundred percent of the accrued interest.

#### **Recommendation:**

The retirement system must review each application for withdrawal of funds to verify whether the employee resigned or was terminated. This review is necessary because when an employee is terminated, he or she receives one hundred percent of the accrued interest.

#### **Board Response:**

The Berkshire Regional Retirement Board has always verified resignation or termination on any refund application before the refund was processed. In the past, any discrepancy was satisfactorily resolved with verbal confirmation from the member and the employer. In the future, any discrepancy will be resolved with written confirmation of termination or resignation.

#### **Ongoing Issue:**

The Massachusetts State Ethics Commission's Enforcement Division issued an Order to Show Cause alleging that former Berkshire County Treasurer Peter Arlos violated the state's conflict of interest law, G.L. c. 268A, by voting on motions that would affect his compensation. A public hearing on the matter was scheduled for December 2, 2005 but has been postponed..

#### **Final Determination:**

*PERAC auditors will follow-up in six (6) months to ensure appropriate actions have been taken regarding all findings.*

**Berkshire Regional Retirement System**

**STATEMENT OF LEDGER ASSETS AND LIABILITIES**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
<b>ASSETS</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Cash	\$3,638,338	\$3,223,569	\$3,828,902
Short Term Investments	0	0	0
PRIT Cash Fund	0	0	0
PRIT Core Fund	96,875,176	84,480,628	67,075,061
Accounts Receivable	167,605	192,089	118,104
Accounts Payable	(52,246)	(97,988)	(2,924)
<b>TOTAL</b>	<b><u>\$100,628,873</u></b>	<b><u>\$87,798,298</u></b>	<b><u>\$71,019,143</u></b>
<b>FUND BALANCES</b>			
Annuity Savings Fund	\$24,010,098	\$22,763,941	\$21,363,570
Annuity Reserve Fund	7,430,823	7,332,292	7,318,676
Pension Fund	3,268,439	3,286,658	4,817,754
Military Service Fund	2,673	2,657	2,631
Expense Fund	0	0	0
Pension Reserve Fund	65,916,839	54,412,749	37,516,513
<b>TOTAL</b>	<b><u>\$100,628,873</u></b>	<b><u>\$87,798,298</u></b>	<b><u>\$71,019,143</u></b>

## Berkshire Regional Retirement System

### STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

	<b>Annuity Savings Fund</b>	<b>Annuity Reserve Fund</b>	<b>Pension Fund</b>	<b>Military Service Fund</b>	<b>Expense Fund</b>	<b>Pension Reserve Fund</b>	<b>Total All Funds</b>
<b>Beginning Balance (2002)</b>	\$20,045,078	\$6,898,967	\$5,122,686	\$2,594	\$0	\$45,071,188	<b>\$77,140,513</b>
Receipts	2,750,387	202,656	4,827,446	36	563,173	(7,560,018)	<b>783,680</b>
Interfund Transfers	(1,077,359)	1,072,016	0	0	0	5,343	<b>0</b>
Disbursements	(354,535)	(854,964)	(5,132,378)	0	(563,173)	0	<b>(6,905,051)</b>
<b>Ending Balance (2002)</b>	<b>21,363,570</b>	<b>7,318,676</b>	<b>4,817,754</b>	<b>2,631</b>	<b>0</b>	<b>37,516,513</b>	<b>71,019,143</b>
Receipts	2,753,056	215,439	4,167,855	26	530,656	16,886,375	<b>24,553,408</b>
Interfund Transfers	(738,183)	728,323	0	0	0	9,861	<b>(0)</b>
Disbursements	(614,502)	(930,144)	(5,698,951)	0	(530,656)	0	<b>(7,774,253)</b>
<b>Ending Balance (2003)</b>	<b>22,763,941</b>	<b>7,332,292</b>	<b>3,286,658</b>	<b>2,657</b>	<b>0</b>	<b>54,412,749</b>	<b>87,798,298</b>
Receipts	2,814,702	218,273	5,688,791	16	607,325	11,504,383	<b>20,833,490</b>
Interfund Transfers	(864,460)	864,752				(292)	<b>0</b>
Disbursements	(704,085)	(984,495)	(5,707,011)	0	(607,325)	0	<b>(8,002,915)</b>
<b>Ending Balance (2004)</b>	<b><u>\$24,010,098</u></b>	<b><u>\$7,430,823</u></b>	<b><u>\$3,268,439</u></b>	<b><u>\$2,673</u></b>	<b><u>\$0</u></b>	<b><u>\$65,916,839</u></b>	<b><u>\$100,628,873</u></b>

# Berkshire Regional Retirement System

## STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Annuity Savings Fund:</b>			
Members Deductions	\$2,517,030	\$2,431,227	\$2,350,669
Transfers from other Systems	110,841	32,668	59,618
Member Make Up Payments and Redeposits	54,493	44,372	65,755
Member Payments from Rollovers	0	36,885	0
Investment Income Credited to Member Accounts	<u>132,339</u>	<u>207,904</u>	<u>274,345</u>
<b>Sub Total</b>	<b><u>2,814,702</u></b>	<b><u>2,753,056</u></b>	<b><u>2,750,387</u></b>
<b>Annuity Reserve Fund:</b>			
Investment Income Credited Annuity Reserve Fund	<u>218,273</u>	<u>215,439</u>	<u>202,656</u>
<b>Pension Fund:</b>			
3 (8) (c) Reimbursements from Other Systems	171,678	125,763	157,369
Received from Commonwealth for COLA and Survivor Benefits	160,219	334,000	376,574
Pension Fund Appropriation	<u>5,356,894</u>	<u>3,708,092</u>	<u>4,293,502</u>
<b>Sub Total</b>	<b><u>5,688,791</u></b>	<b><u>4,167,855</u></b>	<b><u>4,827,446</u></b>
<b>Military Service Fund:</b>			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited Military Service Fund	<u>16</u>	<u>26</u>	<u>36</u>
<b>Sub Total</b>	<b><u>16</u></b>	<b><u>26</u></b>	<b><u>36</u></b>
<b>Expense Fund:</b>			
Expense Fund Appropriation	0	0	0
Investment Income Credited to Expense Fund	<u>607,325</u>	<u>530,656</u>	<u>563,173</u>
<b>Sub Total</b>	<b><u>607,325</u></b>	<b><u>530,656</u></b>	<b><u>563,173</u></b>
<b>Pension Reserve Fund:</b>			
Federal Grant Reimbursement	18,184	32,692	35,061
Pension Reserve Appropriation	121,666	0	51,103
Interest Not Refunded	10,903	11,722	7,898
Misc. Income	2,496	22,966	0
Excess Investment Income	<u>11,351,134</u>	<u>16,818,995</u>	<u>(7,654,080)</u>
<b>Sub Total</b>	<b><u>11,504,383</u></b>	<b><u>16,886,375</u></b>	<b><u>(7,560,018)</u></b>
<b>TOTAL RECEIPTS</b>	<b><u>\$20,833,490</u></b>	<b><u>\$24,553,408</u></b>	<b><u>\$783,680</u></b>



# Berkshire Regional Retirement System

## STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
<b>Annuity Savings Fund:</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Refunds to Members	\$334,431	\$458,912	\$259,042
Transfers to other Systems	<u>369,654</u>	<u>155,589</u>	<u>95,493</u>
<b>Sub Total</b>	<b><u>704,085</u></b>	<b><u>614,502</u></b>	<b><u>354,535</u></b>
<b>Annuity Reserve Fund:</b>			
Annuities Paid	984,495	930,144	854,964
Option B Refunds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>984,495</u></b>	<b><u>930,144</u></b>	<b><u>854,964</u></b>
<b>Pension Fund:</b>			
Pensions Paid			
Regular Pension Payments	4,694,083	4,473,924	4,104,802
Survivorship Payments	257,125	256,956	251,468
Ordinary Disability Payments	33,976	45,439	44,158
Accidental Disability Payments	232,553	203,173	170,277
Accidental Death Payments	128,420	126,260	124,100
Section 101 Benefits	21,732	21,099	20,484
3 (8) (c) Reimbursements to Other Systems	272,631	508,541	355,560
State Reimbursable COLA's Paid	66,491	63,559	61,528
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
<b>Sub Total</b>	<b><u>5,707,011</u></b>	<b><u>5,698,951</u></b>	<b><u>5,132,378</u></b>
<b>Military Service Fund:</b>			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>			
Board Member Stipend	17,000	14,000	63,734
Salaries	139,512	131,813	125,318
Legal Expenses	5,873	1,138	2,637
Medical Expenses	0	0	0
Fiduciary Insurance	8,759	5,439	0
Service Contracts	11,298	10,009	0
Travel Expenses	5,229	6,016	6,709
Administrative Expenses	47,269	44,670	68,466
Furniture and Equipment	3,727	1,278	1,385
Management Fees	368,658	316,293	294,924
<b>Sub Total</b>	<b><u>607,325</u></b>	<b><u>530,656</u></b>	<b><u>563,173</u></b>
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$8,002,915</u></b>	<b><u>\$7,774,253</u></b>	<b><u>\$6,905,051</u></b>

# Berkshire Regional Retirement System

## INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2004	2003	2002
<b>Investment Income Received From:</b>			
Cash	\$45,880	\$51,180	\$50,066
Short Term Investments	\$0	\$0	\$0
Pooled or Mutual Funds	\$2,991,876	\$2,424,597	\$2,357,750
<b>TOTAL INVESTMENT INCOME</b>	<b><u>\$3,037,757</u></b>	<b><u>\$2,475,777</u></b>	<b><u>\$2,407,816</u></b>
<b>Plus:</b>			
Realized Gains	\$5,908,055	\$2,038,304	-\$404,427
Unrealized Gains	\$8,279,725	\$14,799,538	\$7,592,975
<b>Sub Total</b>	<b><u>\$14,187,780</u></b>	<b><u>\$16,837,842</u></b>	<b><u>\$7,188,548</u></b>
<b>Less:</b>			
Realized Loss	\$0	\$15,430	-\$1,770,890
Unrealized Loss	-\$4,916,450	-\$1,556,029	-\$14,439,342
<b>Sub Total</b>	<b><u>-\$4,916,450</u></b>	<b><u>-\$1,540,599</u></b>	<b><u>-\$16,210,233</u></b>
<b>NET INVESTMENT INCOME</b>	<b><u>\$12,309,086</u></b>	<b><u>\$17,773,020</u></b>	<b><u>-\$6,613,870</u></b>
<b>Income Required:</b>			
Annuity Savings Fund	\$132,339	\$207,904	\$274,345
Annuity Reserve Fund	\$218,273	\$215,439	\$202,656
Military Service Fund	\$16	\$26	\$36
Expense Fund	\$607,325	\$530,656	\$563,173
<b>TOTAL INCOME REQUIRED</b>	<b><u>\$957,952</u></b>	<b><u>\$954,025</u></b>	<b><u>\$1,040,211</u></b>
Net Investment Income	<b><u>\$12,309,086</u></b>	<b><u>\$17,773,020</u></b>	<b><u>-\$6,613,870</u></b>
Less: Total Income Required	<b><u>\$957,952</u></b>	<b><u>\$954,025</u></b>	<b><u>\$1,040,211</u></b>
<b>EXCESS INCOME TO THE PENSION RESERVE FUND</b>	<b><u>\$11,351,134</u></b>	<b><u>\$16,818,995</u></b>	<b><u>-\$7,654,080</u></b>

## **Berkshire Regional Retirement System**

### **STATEMENT OF ALLOCATION OF INVESTMENTS OWNED**

(percentages by category)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

	<b>BOOK VALUE*</b>	<b>MARKET VALUE</b>	<b>PERCENTAGE OF TOTAL ASSETS</b>	<b>PERCENTAGE ALLOWED</b>
Cash	\$3,638,338	\$3,638,338	3.62%	100
Short Term	0	0	0.00%	100
PRIT Cash Fund	0	0	0.00%	
PRIT Core Fund	<u>96,875,176</u>	<u>96,875,176</u>	<u>96.38%</u>	100
<b>GRAND TOTALS</b>	<b><u>\$100,513,514</u></b>	<b><u>\$100,513,514</u></b>	<b><u>100.00%</u></b>	

For the year ending December 31, **2004**, the rate of return for the investments of the **Berkshire Regional Retirement System** was 14.03%. For the five-year period ending December 31, **2004**, the rate of return for the investments of the **Berkshire Regional Retirement System** averaged 4.26%. For the twenty-year period ending December 31, **2004**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Berkshire Regional Retirement System** was 10.32%.

## **Berkshire Regional Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

The **Berkshire Regional** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

August 5, 1993

16.02(4) The Board may employ a custodian bank and may charge such expenses against earned income from investments provided that such expenses shall not exceed in any one year .08% of the valued of the fund.

August 13, 1997

20.03(1) Equity investments shall not exceed 45% of the portfolio valued at market, including international equities which shall not exceed 5% of the portfolio valued at market.

## **Berkshire Regional Retirement System**

### **NOTES TO FINANCIAL STATEMENTS**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

#### **NOTE 1 - THE SYSTEM**

The plan is a contributory defined benefit plan covering all **Berkshire Regional** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

## **Berkshire Regional Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

## **Berkshire Regional Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

#### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS**

The **Berkshire Regional Retirement System** submitted the following supplementary membership regulations, which were approved by PERAC on:

December 21, 1984

That an employee must work a minimum of twenty (20) hours per week to meet the requirements of membership in the Berkshire Regional Retirement System.

That a full time employee will receive one (1) full year of creditable service for each year employed. A part-time employee whose position has always been part-time is granted full creditable service. A part-time employee who becomes full time has the part-time service prorated.

## **Berkshire Regional Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

That no employee who seeks to join the Retirement System under Group 4 will be accepted as a member without a complete, thorough and up-to-date medical and physical report filed as a permanent record with the Retirement Board prior to his acceptance as a member of this system.

That police officers and fire fighters, if they are employed on a regular basis by a town, even though they work less than the required twenty hours a week, and are paid with monies appropriated by the town for salaries, shall become members. (Repealed February 1, 1989).

That if an elected official is not a member of the Retirement System before their election by popular vote, they do not have to join; but they may join by applying for membership, in writing, within ninety (90) days after assuming office.

That all major injuries incurred due to employment must be reported in writing to the retirement board within 90 days of the accident.

That the financial and medical records of members of the Berkshire Regional Retirement System are not public records.

That the retirement board may appoint an Executive Secretary who is to be in full charge of all retirement board employees. Such Executive Secretary's responsibilities may include, but not be limited to, directing, coordinating and supervising the retirement board staff.

That the retirement board staff who are applying for disability retirement allowances shall be precluded from access to such disability application, other than that in which any other applicant would have.

February 13, 1985

That the by-laws pertaining to name; authority; membership; officers and their election; duties of officers; meeting; parliamentary authority; and amendment to by-laws.

February 1, 1989

All employees, including police officers and firefighters, must work twenty (20) hours per week to meet the requirements of membership in the Berkshire Regional Retirement System.

March 16, 1993

All employees, including elected officials, requesting membership in the Berkshire Regional Retirement System are required to submit a pre-employment physical examination report, which shall be filed as a permanent record with the retirement board. The cost of the physical examination will be the responsibility of the employee.



## **Berkshire Regional Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

February 16, 1996

A member will be allowed to make a buyback or repayment of a refund over a period of time not to exceed five (5) years, provided that the member files with the board a formal application form that the board will provide.

March 19, 1997

That a full time employee will receive (1) full year of creditable service for each year employed. A part time employee whose position has always been part time is granted full creditable service.

May 16, 2002

Payments for approved buybacks will be accepted on an annual basis, one payment annually in the month of December, until the buyback is complete.

November 8, 2002

That the Board will not accept liability for non-members of the System for buybacks of non-eligible service and/or service in which the non-member had the right to join the retirement system, but did not join.

Buybacks of prior ineligible service by members of the System will be prorated based on 40 hours.

## **Berkshire Regional Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

##### **NOTE 4 - ADMINISTRATION OF THE SYSTEM**

The System is administered by a five person Board of Retirement consisting of the first member, who shall serve as Chairman, who shall be elected by the other four members, a second member who shall be a member of the regional retirement board advisory council, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member:	Peter Arlos	Term Expires:	12/31/07
Appointed Member:	Michael Ovitt	Term Expires:	12/31/06
Elected Member:	Patricia Carlino	Term Expires:	12/31/07
Elected Member:	Peter Menard	Term Expires:	12/31/05
Appointed Member:	Gerald Doyle	Term Expires:	6/30/10

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	
Ex officio Member:	)	\$50,000,000 – Travelers, Arch,
Elected Member:	)	National Union, and XL
Appointed Member:	)	
Staff Employee:	)	

# Berkshire Regional Retirement System

## NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the **Public Employee Retirement Administration Commission** as of **January 1, 2005**.

The actuarial liability for active members was	\$64,040,966
The actuarial liability for vested terminated members was	2,667,722
The actuarial liability for non-vested terminated members was	563,916
The actuarial liability for retired members was	58,044,809
The total actuarial liability was	<b>125,317,413</b>
System assets as of that date were (actuarial value)	96,305,090
The unfunded actuarial liability was	<b><u>\$29,012,323</u></b>
The ratio of system's assets to total actuarial liability was	76.8%
As of that date the total covered employee payroll was	<u>\$30,878,083</u>

The normal cost for employees on that date was 8.00% of payroll

The normal cost for the employer was 6.40% of payroll

The principal actuarial assumptions used in the valuation are as follows:

**Investment Return:** 8.00% per annum  
**Rate of Salary Increase:** varies based on service and group classification

### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2005

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/2005	\$96,305,090	\$125,317,413	\$29,012,323	76.8%	\$30,878,083	94.0%
1/1/2003	\$81,672,014	\$110,201,798	\$28,529,784	74.1%	\$28,383,602	100.5%
1/1/2000	\$79,871,526	\$97,801,261	\$17,929,735	81.7%	\$28,619,462	62.6%
1/1/1999	\$65,918,000	\$94,312,000	\$28,394,000	69.9%	\$27,418,000	103.6%

# Berkshire Regional Retirement System

## NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004**

### NOTE 6 - MEMBERSHIP EXHIBIT

<b>Retirement in Past Years</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Superannuation	11	12	15	18	14	23	19	31	10	21
Ordinary Disability	4	4	4	4	3	3	3	0	0	0
Accidental Disability	3	2	6	4	2	3	3	0	0	0
<b>Total Retirements</b>	<b>18</b>	<b>18</b>	<b>25</b>	<b>26</b>	<b>19</b>	<b>29</b>	<b>25</b>	<b>31</b>	<b>10</b>	<b>21</b>
Total Retirees, Beneficiaries and Survivors	548	552	558	576	578	595	629	643	592	575
Total Active Members	1,208	1,186	1,283	1,329	1,329	1,316	1,389	1,352	1,341	1,209
<b>Pension Payments</b>										
Superannuation	\$2,604,366	\$2,687,304	\$2,911,221	\$3,120,585	\$3,384,205	\$3,205,858	\$3,298,250	\$4,104,802	\$4,473,924	\$4,694,083
Survivor/Beneficiary Payments	225,117	230,779	230,663	249,333	246,532	239,638	270,126	251,468	256,956	257,125
Ordinary Disability	42,065	42,245	41,237	39,163	40,732	41,605	38,776	44,158	45,439	33,976
Accidental Disability	106,650	112,913	106,999	98,155	103,891	102,285	99,583	170,277	203,173	232,553
Other	106,968	117,592	112,319	109,416	111,139	116,910	110,953	144,585	147,359	150,152
<b>Total Payments for Year</b>	<b><u>\$3,085,166</u></b>	<b><u>\$3,190,833</u></b>	<b><u>\$3,402,439</u></b>	<b><u>\$3,616,652</u></b>	<b><u>\$3,886,499</u></b>	<b><u>\$3,706,296</u></b>	<b><u>\$3,817,688</u></b>	<b><u>\$4,715,290</u></b>	<b><u>\$5,126,851</u></b>	<b><u>\$5,367,889</u></b>

PERAC

Five Middlesex Avenue | Third Floor

Somerville, MA | 02145

Ph: 617.666.4446 | Fax: 617.628.4002

TTY: 617.591.8917 | Web: [www.mass.gov/perac](http://www.mass.gov/perac)